

**BEFORE THE
UNITED STATES DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

<u>In the Matter of</u>)	
)	
)	
COMPUTER RESERVATION)	
SYSTEMS (CRS) REGULATIONS)	
)	Docket OST-97-2881
)	Docket OST-97-3014
)	Docket OST-98-4775
)	Docket OST-99-5888
)	
)	
<u>Notice of Proposed Rulemaking</u>)	

**COMMENTS OF THE
NATIONAL BUSINESS TRAVEL ASSOCIATION**

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The National Business Travel Association (NBTA) representing 1,400 corporation travel managers for the Fortune 1000 companies and over 6 million business travelers would like to provide our voice to the Department of Transportation's (DOT) proposed rulemaking for Customer Reservation Systems (CRS) regulations.

Government decisions affect every aspect of our business, and without input into those decisions, business travel issues would be decided solely in regards to other competing interests. NBTA is very disappointed that the DOT and the Office of Management and Budget did not take into account the dramatic impact that the proposed CRS rules could have on the nation's leisure and business travelers, specifically their ability to reap the benefits of a transparent distribution system. The best solutions to national policy problems are those that achieve a consensus that comes from the users of the system not those who provide the service. It is our hope that the federal government does not endorse poor regulatory policies that may make air travel expensive, veil travelers' choices and thus further reduce airline passenger loads.

The DOT and others need to understand that American corporations and their travelers have placed new financial constraints on travel and are re-examining their relationships with airline partners and travel suppliers. Corporate customers specifically, are not willing to take the brunt of the airlines' financial woes any longer. Business travel demand is not inelastic, as some in the industry once believed. Prior to Sept. 11th, corporations were already voting with their feet and reducing travel budgets because the costs had become too prohibitive.

Now, corporate travel managers and consumers are voicing their disgust over these new airline directed market and governmental policies and responding by further

changing their travel habits. These days, many corporations and consumers are more willing to stay home or avoid commercial air service altogether. Corporations are increasingly looking to alternatives to traditional travel like videoconferencing, business aviation and web communications that are more affordable, while leisure travelers prefer auto travel. Low-cost air travel is slowly becoming very elusive, which is having a direct impact on our national economy and state and local enterprises.

Deregulation is supposed to give consumers—not competing interests—more choice, lower costs and enhanced reliability. **NBTA believes it would be a disservice to the traveling public if the DOT did not direct the implied benefits of CRS deregulation towards the consumers rather than the airlines and other travel suppliers.**

CRS DEREGULATION

Since deregulation of the airline industry in the late 1970's, the aim of the federal government has been to protect consumers from the lusty excesses of concentrated business power: price fixing, poor service and scarce choice. Deregulation of the airline has in some ways given consumers lower prices, better service, and greater choice as companies vied for business.

While the travel industry was in the throws of airline deregulation, the 1970's also marked the introduction of a new booking technology for the travel agent. Desktop computer reservation systems promised faster access to flight schedules, instant faring and availability to fare rules. However, the distribution of airline tickets through these systems came with substantial costs to the carriers that owned them. Computer hardware, software and system support negated many of the benefits originally touted from lips of

Alfred Kahn and company. While the cost of airfares and distribution, adjusted for inflation, had been falling for decades before deregulation, the industry's passed-on distribution costs have risen sharply after deregulation. The marketplace has become more adversarial toward consumers. Absence of strict rules has inspired aggressive tactics, which have led competition to respond in kind. The airlines have gained disproportionate power over buyers through widespread use of hidden charges, fine-print loopholes, ever-changing prices, and searches for fare availability. Now, new CRS regulations might send us "back to the future". NBTA believes that every ineffective technology investment that has been made by the carriers in the past should not be refunded by someone else in the future.

The problem is not simply that current cost expenditures under the CRS rules are large as the airlines might have one believe; it is rather that substantial shares of these regulations are ineffective. Now, the DOT's proposed regulation costs to the consumer could be as detrimental as the current regulations are to the carriers. Our members are very concerned that the legacy carriers may devise various uncompetitive mechanisms to allow themselves to recover their stranded cost. They also might pay for such a bailout by imposing discriminatory fees on the consumer and corporations.

Many assumptions on which the DOT's proposals are based are too one sided and short-term. While competing forces have been brought into play as a result of the growth in the role of the Internet and other technologies, these forces have contributed more to fare availability "education" rather than fare transparency. Yes, thanks to the Internet today's traveler is more educated on fares; however, the traveler is in a constant chase to find fares. One could easily argue the fares today are as elusive as they were pre-Internet.

In industries—like the insurance industry—where prices and entry have been deregulated, competition has driven out inefficiencies and thus has led to higher productivity and lower costs for the consumer. However, in an industry dominated by five airlines and four CRS, even in the presence of mandated deregulation, market concentration makes it almost impossible for the consumer to truly reap the benefits that are being enjoyed in other deregulated industries. It is crucial for the DOT to ensure that new technologies and players are allowed to enter the distribution industry by protecting public access to fare information and availability.

Revising or eliminating the CRS regulations could open the door for new technologies; however, the full benefits of deregulating the CRS marketplace will not come unless the DOT is allowed to pursue consumer protection and misconduct regulation. While, consumer rights ought to be preserved and protected, it is also vital to understand that the DOT must ensure that consumers have a wide array of fare information in order to truly achieve the full benefits of deregulation and competition.

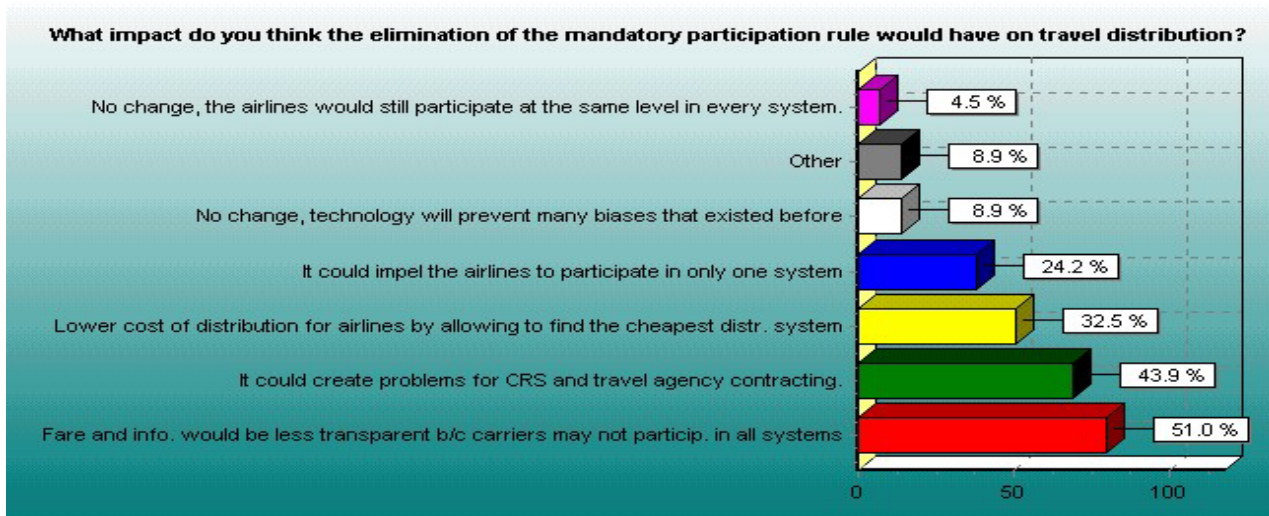
ELIMINATING MANDATORY PARTICIPATION AND DISCRIMINATORY PRICING RULES

In light of the current economic condition of the travel industry, specifically the airline industry, NBTA believes it may be time to address current regulations that suffocate the opportunity for airlines to distribute their products at the lowest costs. NBTA believes that the current mandatory participation rule eliminates the ability of the carriers to negotiate price and service terms with the CRS. In turn, the absence of negotiations places the carriers in the position of not having any purchasing power. The lack of purchasing power has impelled the carriers to pass on distribution costs to consumers and other travel distributors.

Most importantly, the rules reduce competition among CRSs with regard to price and functionality, thereby creating inefficiencies in the CRS industry. Only recently—through the threat of deregulation—have advances been made in travel distribution functionality for consumers, travel agents and airlines that could address many of the inefficiencies of the CRS systems. More intelligent policies could achieve the same goals at much less cost to the travel supplier and the customer. Policy decisions ought to be guided by calculations to ensure that the cost of a regulation to every recipient do not disproportionately outweigh the benefits.

NBTA does believe that if the mandatory participation rule is amended or eliminated the legacy carriers will still participate in all systems at some level. An airline's withdrawal from one system would substantially reduce its bookings from travel agents using that system. The question then becomes at what level these carriers will participate in all competing systems and will there be enough information in those systems for travel agents, corporations and consumers to make cost decisions. Although NBTA is supporting eliminating mandatory participation, we do have some concerns regarding the lack of availability in systems in the absence of mandatory participation.

NBTA surveyed its membership on the impact of elimination of the mandatory participation rule and the following responses were catalogued:



51% of NBTA members concluded that fares and fare information would be less transparent because carriers may not participate in all systems. Owing to the lack of availability in the travel distribution system, customers are not guaranteed the fare availability which was promised when the DOT first regulated the CRSs. As technology has allowed the carriers to react quickly to changes in the marketplace, the legacy carriers can change fare location and information with no warning to the consumer—even for those who think they have locked in discount fares (i.e. corporations and consolidators). As a result, corporations must now check with their carriers regularly to see if they still have the best rate and consumers must spend hours searching for the best fares.

Even travel agencies—who are tuned into changes in fare information—would have to search a variety of sources to learn what flights and fares were available, which would be more time-consuming, inefficient and would increase the transaction costs of the consumer and corporations. Traditional transaction costs for corporate travel agent bookings are about \$34. This figure could sky rocket if travel agencies who do not use a particular CRS are forced to acquire additional tools to search additional CRSs. The lack of pricing clarity prohibits not only apples-to-apples comparisons, but disguises the true

cost of online vs. assisted vs. traditional bookings and fails to provide the corporation and consumer clear cost comparisons. All stakeholders could benefit from comprehensive, transparent transaction pricing.

As was noted by the DOT, systems and their affiliates have taken steps in the past to prejudice each other's competitors. In a truly competitive airline industry, there could be a minimum standard for CRS participation that if you are going to be in a CRS you must have basic elements, like how Southwest Airlines displays flights and fares in SABRE, but not availability. Through minimum standard requirements, carriers could still participate fully in the CRS of their choice, but at least have the bare bones in others. However, NBTA does recognize that for many carriers, specifically low-cost carriers, even minimum mandatory participation could be detrimental to their distribution costs. In the absence of a mandatory minimum, the DOT should make every effort to ensure that consumers are protected from deceptive practices and fare information is transparent.

If there is a reasonable basis for believing that competitive harm is likely to occur in a particular case—possibly, for example, where a dominant hub carrier has an extensive commercial relationship with one CRS that could be used to inhibit competition by other CRSs in that hub market—the Department should exercise the option of taking action under section 411 that is tailored to the circumstances at hand. The Department's ability to take action in such particular cases will insure that its regulatory power is used only where appropriate, and does not unwittingly impede competition. Various strategic planning and other efforts should be made to define the specific strategies, processes, and activities that will be used to regulate and oversee the CRS marketplace once deregulation becomes a reality. The DOT's action might be needed to end the exclusive

arrangements that allow single CRSs to hold monopolies over large service areas where their affiliates operate their hubs. These areas must be served by many alternative CRS providers.

Implemented by the airlines long ago to protect their key markets, these arrangements prevent competition from improving either cost or service to consumers. NBTAA believes it is flawed to discount the historical relationship between the legacy carriers and their preferred CRS, and the fragmentation of the CRS domestic market based on previous or current CRS ownership by the legacy carriers. The legacy carriers still control the vast majority of the domestic aviation market ten years after the initiation of the first CRS rules. Competition must still be protected. There is concern that the legacy carriers could take advantage of their affiliation to a specific CRS concentrated in their hub markets and combined presence at the cities they serve. This is a particular concern given the current alliance between Delta, Continental and Northwest airlines and their affiliation with Worldspan.

This would extend the same types of competitive advantages possessed by the dominant airline in a city to a number of spoke cities, and this may substantially undermine the ability of competing CRSs to maintain service in, or enter, markets served by a legacy carrier and its preferred CRS. Most importantly, it would undermine the ability of consumers, travel agents and corporations to gain access to fare information.

That potential harm would result primarily from the combination of the legacy airlines increased market presence and the consequent marketing advantages created by their dominance of the CRS market, rather than because the CRS would enable the airlines to offer substantially better service. Historical evidence and analysis support the

conclusion that an airline that has a large market share at a city and who has a preferred relationship with a CRS typically has substantial competitive advantages over other airlines that often cannot be offset, even by offering lower fares and attractive service features. An airline's dominant market share position in a city, accordingly, will give it some ability to limit their participation in competing CRS and to reduce service and fare information. In general, the CRS that offers the broadest range of services or fare information would be the most attractive bidder for a corporation's business. In the DOT's 1991-92 reexamination of the CRS rules, the Department proposed a mandatory participation requirement in response to complaints of some parties that certain CRS vendors have reduced the level of their participation in other systems to handicap the ability of other systems to compete for subscribers.

The costs of deregulation would then be dependent on what the corporation chooses to take on for fare aggregation. In major markets, corporations and agencies servicing them will see minimal impact as all the airlines in that market will compete. If a corporation has all its eggs in one basket, its additional costs should be minimal. Corporations in highly competitive markets, like Los Angeles, would probably not see a lot of cost increase as there will be a desire by the CRS and airlines to remain competitive. For companies that do business in small markets or monopoly markets, like Atlanta and Dallas, there will likely be the need to use third party products to find all fares.

The DOT must ensure that the deregulation of CRSs does not create oligopolies or re-monopolization. A CRS derives some power from the fact that most travel agencies subscribe to a single CRS, with each agent preferring the CRS in his or her market. In

local markets where one carrier has market dominance, the CRSs would again reign supreme. A deregulatory scheme that ensures flexibility for the providers of the service at the expense of consumer choice and access would have a direct impact on consumer costs, which will keep consumers from embracing many of the benefits of deregulating the CRS marketplace. The DOT should make sure that the hub market's preferred CRS is not the only player in town.

NBTA believes agencies are the ones that will be hit the most. It will be incumbent on them to make sure they have all options available in order to insure they are providing customers with competitive, current and correct information. Of course, there are costs associated with all these tools and those costs will be born by the customer.

This could get expensive for corporations, pushing labor cost up more than 50%. Corporations, travel agents and software developers have expressed the impracticality and inefficiency of the aggregating tools. In a transitionally driven business, many of the aggregators add an enormous amount of processing time.

The Internet Myth and Offline and Online Fare Aggregation

While the DOT notice of proposed rulemaking highlights the "growing importance of the Internet" as a vehicle for selling airline tickets, one must be careful in crowning the Internet as a travel distribution achievement. For many, the Internet has provided more information than actual cost savings and efficiencies. The traditional CRS systems still provide more utility. Less than 10% of all corporate bookings are through the Internet. For the corporation or business traveler, the Internet is still deficient in many areas.

Reasons for low Internet booking:

- 1) **No time of reservation:** Many corporations require this data to verify that travelers are booking within their corporate travel policy. As a cost savings tool, corporations require many travelers to book within 21 and 14 days of departure.
- 2) **Not all have Internet capabilities:** Most corporate and leisure agencies do not have the capabilities to book via the Internet and still receive credit from the airlines for their customer bookings.
- 3) **No traveler profile information:** Corporations cannot track the employee, help them if something happens on the trip or arrange last minute changes, upgrades or refunds.
- 4) **No data collection:** Many Online agencies do not have the technology to collect vital data that the corporation and the business traveler need to reconcile budget, productivity requirements and income statements.

GDS systems can:

- ✓ Store preferred air rates for a managed travel program
- ✓ Store preferred car rates
- ✓ Store preferred hotel rates
- ✓ Capture data
- ✓ Retrieve data for a period of time
- ✓ Keep manage and highlight traveler profile information
- ✓ Be programmed to some extent to display the preferred vendors in a program over all others

In addition to being deficient in providing needed business services, the Internet has served more as an informational resource rather than a booking tool. Two-thirds of travelers who do planning on line still aren't booking there. According to the Travel Industry of America, the biggest reason is concerns about security, still cited by 29% of those holding back. But the second biggest deterrent, cited by 26%, is the desire to talk to a live person or get "absolute confirmation" of the reservation. More importantly, the look-to-book ratios still do not demonstrate a measurable and definite substitution of online booking for traditional sources (Expedia - 5.8%, Orbitz – 10%, and Travelocity - 8.0%). The look-to-book ratio is a figure used in the travel industry that shows the percentage of people who visit a travel Web site compared to those

who actually make a purchase. This ratio is important to Web sites such as Priceline.com, Travelocity.com, and Expedia.com for determining whether the Web sites are securing purchases.

Although some online agencies are closer to remedying many of the deficiencies of online distribution channels, currently online deficiencies still make the CRS the preferred channel of distribution. Even if the online agencies are able to accommodate consumers' and corporation's business needs, there are so many online travel providers that the chase for fare availability and information has become inefficient and cost prohibitive.

Third party booking system and screen scraping tools, like Clipbook, GetThere and Farechase, should have to access inventory and book reservations; however, the major carriers are questioning whether these fare aggregators should have access to fares on airline sites. This issue begs the question of whether fares made public on airline websites are private property or the property of the airline's site. The fear is that any software developed to help aggregate data or make third party bookings will not be allowed by the airlines. Corporate travel managers believe that the airlines are not interested in seeing agencies or consumers or corporations get a full view by making it easy to access fare information. The alternative for many has been to surf the web for hours looking for fare information. NBTA believes that every attempt should be made to make fare information available publicly and ensure that it remains publicly available. At a minimum, the airlines should tell the consumer where consumers, agents and corporations can obtain the fare at the airlines' lowest

distribution cost. This lack of availability has become a grave concern for the corporation and the consumer.

OFF LINE AND ONLINE FARE AGGREGATION

Over the last five years, a revolution of partial solutions has started within the aviation industry. The disintermediation of travel purchasing, i.e. allowing the consumer to search and book directly from travel suppliers, has produced more promises than true cost and efficiency savings. While the opportunities are exciting, corporations and business travelers are concerned that the airlines and travel web sites have no real understanding of the needs of their most important customers: Corporate America.

They have now added a new wrinkle to an old problem, best fares. Fare availability has always been a moving target and will remain so because of airline yield management. The so-called low cost web fares are predominantly more hype than substance, although there is just enough there to put the credibility of the travel agencies into question. There has been more cost in time, accusations, research, audit and analysis of web fares than has been actually saved with lower fares. Corporate travelers with budgets don't understand this nor would they care if they did.

As the events of September 11 have demonstrated, when corporate travelers locate and book cheaper fares online that are unavailable through their designated corporate travel office, the corporations cannot track the employee, help them if something happens on the trip or arrange last minute changes, upgrades or refunds. Web

fares are misleading to business travelers and almost impossible for corporations to track. Corporate travel agencies and travel managers continually search for lower web fares discovered by the business travelers and do not find them in the GDS or on various sites. This confusion increases corporations' distribution costs, misleads travelers and wastes employee time and resources.

In a survey completed by NBTA last year, 99% of corporate travel managers stated that giving corporations equal access to web fares or distressed inventory contained on the airline websites and Orbitz, would best address the issue of Web fares. When asked what corporations could offer airlines in exchange for this equal access, the top responses were consideration of additional business (53%) and ability to track volume (46%). In addition, some corporate travel managers expressed that access to these Internet fares would increase corporate-airline loyalty and clean up the disparity between business and leisure fares.

In a follow-up survey, corporate travel managers said web fares have affected their company's ability to manage its corporate travel program (49%), influence traveler choices (45%), or reach volume thresholds or contractual commitments with airlines (27%). Currently, when an employee purchases an airline ticket over the Internet, whether through an airline's own website or through an online distribution site like Orbitz, the purchase will not be counted towards a corporations' negotiated contract in most cases. As a result, many corporations (51%) forbid their employees from booking travel on the Internet, even if they find a cheaper fare.

Travel web site functionality and easy access has demystified much of the reservation process for the consumer. The traveler, with a modicum of on-line and travel

experience, can receive significantly more information about availability and pricing options in a format easier to qualify than the traditional telephone conversation with a travel counselor. In that regard, travel web sites are faster, better, cheaper. While this advancement is significant, the functionality is still limited, opening the door for more abuses.

Two years ago, the current industry environment changed. The elimination of travel agent commissions, which will undoubtedly diminish the role of the impartial agent, and the emergence of airline owned and operated sites like Orbitz that cater to a select group of individuals (7% of the booking population), have created an environment that has blocked consumers from looking at all available fares.

The impartial agent has now been officially locked out of the system because the travel distribution rules do not require the airlines to make Internet web fares available on all distribution channels, and agents are forbidden to book Internet fares because of distribution channel booking performance thresholds. Even a current program like American's Everyfare, created to address this issue, has failed to reach its full potential because the program does not preclude American from offering exclusive net fares to other sites, which could mean price disparity on the Internet could get worse not better.

WHY IS FARE AVAILABILITY A DOT ISSUE?

The DOT is charged with protecting consumers from deceptive airline practices. The DOT created previous travel distribution regulations assuming that the participating airlines had created a single system so that the potential airline consumer could determine the price, availability and fare rules on any given airline flight. These assumptions also carried an informal guarantee that travel agents, whether off or on-line, would provide

impartiality in determining fare and travel options. As noted in the DOT 1999 Inspector General report on Commission Overrides, “Deregulation allowed the development of complex and frequently changing fare structures. In response, travelers have increasingly relied on travel agents, with access to broad-based flight and fare information, for travel information and ticketing.” In 2002, travel agents booked close to 80% of air travel and less than 7% was booked on the Internet.

Currently, many of the web fares found on the airlines' sites and on websites like Orbitz are not found in the CRS, the traditional method of reservation acceptable for corporations and travel agents. Over the near and long term, as the independent, neutral distribution channels, such as CRSs and online and off-line agencies are weakened, the largest carriers will gain ever more control over the window through which travelers are allowed to see their options.

NBTA does not believe Internet sites like Orbitz should be regulated. However, NBTA does believe that some form of bias disclaimer should be provided to the consumer so that he or she is aware of the preferential treatment that particular carriers receive on that site; including the fact that other corporate contracted discounts are not available on the site.

Without DOT oversight, the major airlines will use their control over the windows through which travelers are allowed to make choices and cloud the transparent consumer choices that existed prior to the birth of non-CRS linked Internet sites. Why are consumers, corporations, and the online and off-line travel agencies that serve corporate and consumer needs any less deserving of protection against abuses that the DOT has

many times determined airlines owning the distribution channels for airline tickets have both the incentive and means to commit?

Prohibition of the Sale or Sharing of Marketing & Booking Data

NBTA believes that the biggest threat to price competition and data privacy is the current attempt by some carriers to obtain detailed ticket data on the corporation and the travel agency. The airline's ability to obtain some types of marketing and booking information reduces fare competition, enables airlines dominating metropolitan area markets to pressure travel agencies into diverting sales from competing airlines and most importantly, although permissible under U.S. law, creates some serious data privacy concerns.

As the DOT renews its focus on the CRS rules, it is vital that you investigate privacy and anti-trust concerns born out of the growth in corporate and personal travel trend analysis. Suppliers of travel services are engaged in sophisticated "data mining" to learn more about passengers and corporate travel profiles. As travel suppliers consolidate by merger or alliance and collaborate to streamline marketing and services, the risks increase for personal and corporate travel data to be mismanaged or used inappropriately.

For the past decade, DOT and General Accounting Office studies have identified CRS abuses as one of the factors that inhibit unbiased information sharing, competition, and new entry. The DOT must use its current regulatory authority to ensure that the current CRS system is retuned to handle new technologies that will challenge the CRS's goal of providing nondiscriminatory information.

Since NBTA submitted our comments two years ago major events have occurred which further point to the need to immediately address CRS regulations. Over the last

two years, several carriers have changed their policies concerning corporate travel discounts. Several carriers will not renew or enter into discount agreements with corporate customers unless the corporation agrees to provide the carriers with detailed ticketed data concerning the corporation's air travel transactions with the specific carrier and all other carriers. This information is provided to a third party data consolidator selected by the carrier who, apparently, will collate the information and provide reports back to the carrier.

As Attachment A, we are enclosing a copy of the File and Data Elements required by the data consolidator. As you will see, the data consolidator receives a considerable amount of information directly from all corporations currently under contract with the airline from the companies' approved travel agency and then masks certain elements prior to sending it to its client airline. The airlines, in turn, create reports (Examples 1, 2, 3 below), which they use to model and measure corporate discounts. Now all the airlines are requiring submission of the data in Attachment A as a condition to granting discounts.

While the agency masks the airline code for the non-contracted carriers before sending the data to the data consolidator, the consolidator does require arrival city, departure city, arrival time, and departure time and flight number. With this information they are able to determine the carrier flown for every single ticket. This then gives the data consolidator the capability to determine by carrier the number of flights by city pair, class of service flown, average segment fare, and more. We consider this competitive information confidential between the corporation and the other carriers.

NBTA is seeking a review by the DOT of what appears to be a disturbing trend giving some airlines unfair knowledge of competitor pricing, and the resulting potential

for lessened price competition, which seems to be evident in data consolidator reports. The following examples are supporting evidence of our membership's concerns.

Example 1: Carrier A obtained and supplied one corporation with reports that list pricing excerpts for that corporation's travel purchases between New York City and Washington D.C. This corporation is currently under contract with Carrier B that provides shuttle service between LaGuardia Airport and Reagan National Airport. The data in the report would seem to give Carrier A access to information that could enable it to target, or limit any discounts for its service between Newark and Washington, DC.

Example 2: Another report provided by Carrier A reviews the number of trips and cost for travel between JFK and London U.K. The Average Flight Price calculated by the report is alarmingly close to the corporation's negotiated price with another airline. Could the value of this information influence Carrier A's pricing decisions with their code-share relationship with a foreign carrier?

Example 3: Another report provided by Carrier A is for a city pair that only has connecting service. The corporation is currently under contract with a competing carrier. The concern with this report is that the data consolidator is not only providing competitive pricing, but also is able to distinguish whether the fares are discounted, economy, business class, or first class.

It is on this almost uniform condition for obtaining discounts, and the ability of the airlines to use the data to reduce or eliminate price competition, that we are seeking a review. Most airlines today claim that Corporate Volume Agreements are based on market-share of flights flown rather than revenue volume. Based on the corporations' requirement to report number of segments (market-share) and dollars (revenue-share), as

in Example 2 above, a simple mathematical calculation will provide the average cost per segment.

It is the concern of our membership that this uniformly required data disclosure as a condition of getting any discount in fact provides the airlines with a level of information that will impair the ability of a corporation to negotiate effectively and fairly with competing airlines. The airlines have stated that by having this data they may offer more competitive discounts if they desire to pursue the business. However, history suggests that allowing competitors to see the discounts that each is offering, works to discourage price competition. Our members are concerned that they will not be offered the best fares when this knowledge is available to competing airlines. The airlines can see quickly whether competing airlines have offered a deeper discount than others. This can lead to implicit agreements on discounts and, even absent any agreement among the airlines on how to respond to such information, our members are concerned about the fact that such information is readily available. The availability of corporate booking data will have a chilling impact on any airline's willingness to offer discounts.

The data that will be provided will include routes traveled, prices paid (including data relating to discounts), and individual corporation personnel's identities and credit card numbers. These carriers' data disclosure program poses a number of potential problems as it relates to the use of CRSs and travel data in general. The carriers' use of MIDT data is allowed under Section 255 and the additional use of ticketed data from revenue, ticketed or credit card reports are unregulated, which poses a huge problem for corporations (See Table 1).

Table 1: Ticketed Data Currently Used

Criteria	MIDT	Ticketed	Credit Card	Revenue
Customer Identification		✓	✓	✓
Net amounts		✓	✓	✓
Basis for O&D		✓		✓
Other Airlines	✓	✓		
Lift				✓

Source: NBTA

The information compiled and provided to these carriers may assist them in determining a corporation's percentage of use of the carrier and other carriers on specific routes. The information may also assist the carrier in determining what type of discounts and discount programs are being used by other air carriers that could have a significant impact on the discounted fares and discount programs that carrier is willing to offer.

NBTA is requesting that the Department immediately suspend Section 255.10(a), "Marketing and Booking Information."

Under Section 255. 10 each system shall make available to all U.S. participating carriers on nondiscriminatory terms all marketing, booking and sales data relating to carriers that it elects to generate from its system.

NBTA is also requesting that the DOT investigate the overall use of marketing, booking and sales data that are generated without the corporation's permission or that are obtained through coercive practices.

NBTA recognizes the intent of the DOT to facilitate a system that would make it possible for participating carriers to openly exchange information and data and we recognize the importance of the data to the carriers. However, the advancement of technology has opened the door for carriers to potentially use competing information in a discriminatory fashion. NBTA believes that an exchange of information must occur with verification and approval of the corporations and carriers who would be directly impacted by its execution.

Under Section 255.10 and other ticked data information generators, the corporation will have no control of how an airline uses *their* data and the proprietary nature of the data. The proposal will unmask the travel patterns and tendencies of corporations, allowing airlines, including ones a corporation is not contracted with, to sell and purchase a company's travel data.

As technology advances every day and our society has become increasingly tied to computer networks, these changes allow our electronic data to become more vulnerable. NBTA believes corporations must take the lead in protecting private computer networks and corporate and personal information, through more vigilant security efforts and information sharing. Vigilance as it relates to this issue would mean protecting corporate travel purchasing patterns.

NBTA would urge the DOT to immediately suspend Section 255.10 and require carriers to obtain the permission of corporations before carriers exchange or sell corporate travel data.

The owners of the data, corporations, should be the only entities able to decide the accessibility and usage of their travel data. It is vital that the government ensures that the exchange of information is open, fair, and protected.

CONCLUSION

Historically, the DOT has been criticized by groups for not doing its job to ensure that there is a competitive travel distribution system. Every effort should be made through Congress and the Administration to provide the DOT with the needed staff and funding to oversee this transition to CRS deregulation.

The DOT must proceed by identifying the issues that must be addressed during the transition to a deregulated CRS market. The void left by the exit of federal regulators can not be filled by states due to the Airline Deregulation Act of 1978 exempting airlines from states' basic deceptive-practices laws. Deregulation should never be "no" regulation. There are several roles for regulation: to monitor Internet distribution practices, to protect consumers from unscrupulous practices and to ensure that the costs of deregulation are not prohibitive to the consumers and corporation's who are seeking low-cost traveling options. Free markets are ever changing, and players are always devising new ways to change the marketplace. The DOT must play an important backstop role in guaranteeing the development of nationwide consumer choice and competition.

The airlines, while not having an ownership position in any CRS, will develop preferred marketing relationships with specific CRS systems and through selective fare

displays push corporations to purchase/lease systems from their new partners. This will cause increased conversion expense, loss of productivity and potentially set up a system where corporations will need to change CRS systems annually.

NBTA supports a change from 5 years to 3 for the maximum length of CRS contracts for travel agents. This change would give corporations, travel agencies, and the airlines flexibility to adapt to industry changes. A three year maximum is far less onerous than the five year deal and should create a more competitive environment. Most important, the elimination of long-term contracts that travel agencies have agreed to with existing systems could allow the slight possibility for new entrants or alternative technologies to offer more efficient and low-cost services to travel agencies and obtain an adequate number of subscribers to infuse competition into the CRS industry.

If the DOT decides to move in the direction of complete deregulation, NBTA would recommend:

- 1) Various strategic planning and other efforts should be made to define the specific strategies, processes and activities that will be used to oversee the CRS marketplace once deregulation becomes a reality.
- 2) The DOT should provide travel agencies, CRSs, corporations and airlines 12-18 months to allow for an adjustment to the new CRS rules.
- 3) DOT should be required to report to Congress every two years on distribution issues.
- 4) DOT should require sunset clauses be attached to any transitional rules. Transitional rules that are deemed necessary should be, by definition, transitory in nature. They should sunset according to strict timetables—for example, over a five- or ten-year period.
- 5) The DOT should be required to periodically rescind rules that are no longer needed while consolidating or eliminating other rules.

NBTA believes that there is not one solution to solve the CRS problems facing our aviation system. However, we do believe a combination of the above solutions will have an enormous impact on how the DOT implements its final decision. As consumer

confidence and spending falls and corporations continue to cut their travel spending, NBTA believes it would be criminal to further darken the traveling public's ability to make low-cost choices. With the Dot-com implosion and the Fortune 1000 clamor to re-engineer how they manage their businesses in this cost-cutting landscape, it's clear that the Department of Transportation and the federal government should be taking an active role in sparking travel rather than handicapping corporate operations and leisure plans. As was stated earlier, the best solutions to national policy problems are those that achieve a consensus that comes from the users of the system not those who provide the service.

Respectfull submitted,

A handwritten signature in black ink, appearing to read 'E. Laney Jr.', with a stylized flourish at the end.

Eugene Laney Jr.
Director of Information &
Legislative Services
National Business Travel
Association
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Attachment A

- Carriers Maximum Allowable Masking - File and Data Elements Treatment

Name	Area	Description	Source Treatment	Data Warehouse Treatment for Carrier
AIRB	Billing	Prim Base Air Fare		
AIRC	Billing	Air Commission Amt	MASKED: Present for select airlines.	Masked
AIRT	Billing	Prim Air Tax Amount		
ARCF	Billing	Agency IATA Number		
CONJ	Billing	Number Of Conj Tkts		
CONN	Billing	Conjunctive Ticket		
CUST	Billing	Customer Number	Replaced	Replaced
DSRL	Billing	Low Fare \$ Saver	MASKED: Always blank.	Masked
DSRT	Billing	Fare At Res Time		
ESEG	Billing	Exchange Segments	MASKED: Always blank.	
EXCH	Billing	Exchange Flag		
FOP	Billing	Form Of Payment		
INV	Billing	Invoice Number		Masked
OTKT	Billing	Original Ticket Num		
OTX	Billing	Other Tax Amount		
PFC	Billing	Airport Fees		
PSG	Billing	Passenger Name	MASKED: Always blank.	Masked
PSG1	Billing	Name Field Remarks	MASKED: Always blank.	Masked
PSGN	Billing	Passenger Number		
RSNN	Billing	Norm Fare Reason Cd	MASKED: Always blank.	Masked
TKT	Billing	Ticket Number	MASKED: Mask first 3 digits only. Set to positions 2-11 of INTKT	Masked
TOUR	Billing	Tour Code	MASKED: Present for selected airlines. Masked values set to blanks.	Masked
TRNR	Billing	Transaction Number		
UTX	Billing	US Tax Amount		Masked
VALN	Billing	Validating Airline	MASKED: Present for selected airlines. Masked values set to all Y's	Masked
VEND	Billing	Agent Assigned Num		
VNDT	Billing	Vendor Type	MASKED: Always blank.	
AGNT	Invoice	Agent Number	MASKED: Always blank.	Masked
AMTI	Invoice	Total Invoice Amt		Masked
ARCF	Invoice	Agency IATA Number		

BRCH	Invoice	Branch Number		Masked
CCID	Invoice	CC ID Code	Provide CC type	Masked
CCNO	Invoice	Credit Card Number	REMOVED: Always blank.	Not Loaded
CUS	Invoice	Customer Number	Replaced	Replaced
DATE	Invoice	Date of Invoice		
DORG	Invoice	Original Issue Date		Masked
DSR1	Invoice	Dollar Saver 1		
INV	Invoice	Invoice Number		Masked
ORGI	Invoice	Original Invoice Num		Masked
PSGN	Invoice	Passenger Number		
ROE	Invoice	Rate Of Exchange	REPLACED: Set to 00000000.00	
TCUR	Invoice	Trans Currency		
TKT	Invoice	Ticket Number	MASKED: Mask first 3 digits only.	Masked
TRN2	Invoice	Secondary Trans Num		
TRNR	Invoice	Transaction Number		
TTYP	Invoice	Transaction Type		
ALCD	Itinerary	Actual Carrier Flown	MASKED: Present for selected airlines. Masked values set to all Y's	
ALRL	Itinerary	Record Locator Num	MASKED: Present for selected airlines. Masked values set to blanks	Masked
ARCF	Itinerary	Agency IATA Number		
ARRC	Itinerary	Destination City Cd		
ARVD	Itinerary	Arrival Date		
CLS	Itinerary	Class Of Service		
CXN	Itinerary	Stop-Over Indicator		Masked
DPDT	Itinerary	Departure Date		
DPTC	Itinerary	Departing City Code		
END	Itinerary	End Of File Marker		
FBAS	Itinerary	Fare Basis Code	MASKED: Present for selected airlines. Masked values set to blanks.	Masked
FLGT	Itinerary	Flight Number		Masked
INV	Itinerary	Invoice Number		Masked
ITIX	Itinerary	Itinerary Index		
PSGN	Itinerary	Passenger Number		
SEGV	Itinerary	Trans Segment Value		
SGTD	Itinerary	Seg Tkt Designator	MASKED: Present for carrier. Masked values and other carriers set to blanks.	Masked
TARR	Itinerary	Arrival Time		
TDPT	Itinerary	Departure Time		
TKT	Itinerary	Ticket Number	MASKED: Mask first 3 digits only.	Masked

TRNR	Itinerary	Transaction Number		
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